

**PNGC Power's Comments on
BPA's Proposed Scheduling Procedure:
Interim approach for limiting NF and hourly-firm schedules
for the hour following an OTC excursion**

Summary of Proposal

This proposal is an interim step to help BPAT limit congestion on their transmission system. The proposal would limit non-firm and hourly-firm transmission requests that contribute to congestion on specified network flowgates of the federal transmission system during periods where power flows on the path exceed the path operational transfer capability. The interim approach will be used until an hourly ATC methodology is in place which should allow BPA to better manage power flows across their transmission system.

PNGC Power's Comments

PNGC Power's comments are partitioned into two areas of concern. First, if this proposal is adopted, an OTC excursion could trigger a reliability problem for the region. Secondly, our concern about how this proposal meshes with current scheduling practices.

Regional Reliability, Serving Native Load, and EI

To illustrate our concern regarding this proposal let's look at the events of July 24, 2006. Most electric utilities in the Northwest were setting records for both energy and capacity consumption on this day. Most Northwest scheduling utilities had under-forecasted their loads during pre-schedule and thus were having to make up the difference during real-time. PNGC Power was no exception. We were purchasing, in part, because earlier in the day our generation from the federal system was decreased due to a contingency at CGS. The Federal System is PNGC Power's only firm POR, and since the federal system was not providing us with enough power to meet our load obligations we were forced to purchase non-federal generation and use non-firm transmission.

Unexpected high loads and generation loss of CGS affected the power marketplace in two ways: (1) prices were very high and (2) no one was willing to sell power for anything other than the next hour. Thus, those needing to purchase to meet their load obligations were left to search the marketplace every hour for a willing seller. Since no one would block in a transaction most parties, including PNGC Power, had to use hourly non-firm transmission to move non-federal power to their load. If there had been an OTC excursion on this day during the HLH hours, and if this proposal had been in effect, we would not have been able to schedule non-firm or hourly firm transmission to meet our load. Thus, we would have been subject to Energy Imbalance charges with BPA picking up the shortfall. How would BPA go about serving our load in this situation? BPA would probably have ramped up generation or made purchases to meet their overall obligations, including re-dispatch the federal system to alleviate the congestion. If this didn't work, or had already been done, it seems that the only course left to BPA would be load

shedding. The end result then is PNGC Power's failure to schedule adequate resources because of the restriction on non-firm schedules, increased congestion through the operation of Energy Imbalance, increased costs for PNGC Power, and a potential reliability problem resulting in lost load.

The proposal should be clarified or further worked on with customers to address the following issues:

- 1) Charges for EI when a customer is not allowed to schedule nonfirm transmission;
- 2) How scheduling party's inability to use nonfirm will impact reliability?
- 3) Comparability among BPA, scheduling entities, and other control areas in implementation of this policy (are the shortfalls treated differently because of who a party is: BPA (no charge except the power needed to meet obligations), scheduling customer who is not a control area (EI charges), or control area (inadvertent?).

PNGC Power understands BPA's desire to limit curtailments on its system by using pro-active tools. In general, we agree that it doesn't make sense to continue selling non-firm transmission if BPA is currently exceeding OTC across a particular flowgate. However, if this Proposal is implemented customers may not be able to balance their loads and resources thus forcing them to fall back on BPA to meet their load needs. The power will flow in either case, or physical load shedding will be required. However, it may be that this proposal's pro-active tool creates rather than relieves reliability problems.

Current Scheduling Practices

We are strongly opposed to partitioning the Federal System into zones, which seems to be implied in the proposal by the use of the Mainstem designation instead of the current single federal POR. We believe that this type of partitioning of the Federal System will de-rate the firm capability of the system by unnecessarily limiting the flexibility of the federal system to move generation among federal generators and will ultimately be very costly to implement by parties who rely on the federal system. BPA TS should have more discussions with the customers and PS about how to implement this proposal without disintegrating the current single federal POR. BPA should also take into account the Pilot Program for Within Hour Reliability Redispatch which gives TS a tool it needs to request movement of particular federal generating projects.

Conclusion

Limiting non-firm transmission sales is a pro-active option if TS experiences an OTC excursion at a particular flowgate but a number of issues need to be worked out. First, customers needing non-firm transmission to meet native load need to have a way to move generation to their load, otherwise the region could experience a reliability issue. Secondly, if a customer is not allowed to use non-firm transmission to meet their load obligations all EI charges should be waived. Finally, PNGC Power is strongly opposed to partitioning the Federal System into zones.

In summary, we do not support implementation of this proposal at this time. BPA should continue to meet with customers to see if these fundamental issues with the proposal can be resolved.